

Message Text

CONFIDENTIAL

PAGE 01 LISBON 00099 072000Z

65

ACTION EUR-12

INFO OCT-01 ARA-06 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 DODE-00 PM-04 H-02

L-03 NSC-05 PA-01 PRS-01 SS-15 FEA-01 AGR-05 IO-11

SAM-01 STR-04 CEA-01 AF-06 NEA-10 AS-01 /132 W

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R 071522Z JAN 76

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 5544

INFO AMEMBASSY BONN

USMISSION EC BRUSSELS

AMEMBASSY CARACAS

USMISSION OECD PARIS

C O N F I D E N T I A L LISBON 0099

DEPT PASS U.S. INTERESTS SECTION, BAGHDAD

E.O. 11652: GDS

TAGS: EGEN, EFIN, EAID, PO, GW, IZ

SUBJ: GOP MEASURES TO FACE ECONOMIC CRISIS

REF: (A) 75 OECD PARIS 33864; (B) 75 BONN 20641

1. ECON COUNSELOR DISCUSSED WIDE RANGE OF ISSUES WITH SECRETARY OF TREASURY SANTOS SILVA TUESDAY, JANUARY 6. LATTER OFFERED FOLLOWING COMMENTS:

IMF: GOP HAS INSTRUCTED BANK OF PORTUGAL TO APPLY FOR IMF STANDBY CREDITS OF \$150 MILLION. NO APPLICATION APPARENTLY BEING MADE AT THIS TIME FOR USE OF FIRST CREDIT TRANCHE.

GERMAN CREDIT: NEGOTIATIONS WITH GERMANY FOR SUBSTANTIAL CREDIT ARE PROGRESSING VERY WELL. NO SPECIFIC FIGURE GIVEN FOR
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PAGE 02 LISBON 00099 072000Z

AMOUNT OF CREDIT, BUT PARAMETERS DISCUSSED INDICATE IT MAY AP-

PROXIMATE \$250 MILLION. MINISTER OF FINANCE ZENHA EXPECTED TO MAKE PUBLIC ANOUNCEMENT BEFORE END OF THIS WEEK. OECD SURVEY: SANTOS SILVA LISTENED ATTENTIVELY AND TOOK EXTENSIVE NOTES ON SUGGESTION THAT GOP REQUEST OECD SURVEY OF PORTUGUESE ECONOMY. ALTHOUGH HE EXPRESSED NO OPINION, HE SEEMED TO APPRECIATE VALUE OF HAVING THIRD PARTY REVIEW AS A BASIS FOR DISCUSSING BILATERAL AND MULTILATERAL ASSISTANCE.

GOLD: HE CONFIRMED THAT PORTUGAL RECENTLY SOLD SLIGHTLY LESS THAN FOUR TONS OF GOLD IN SWITZERLAND. NO DEFINITE PRICE WAS GIVEN, BUT HE ASSERTED THAT IT WAS A CURRENT MARKET LEVEL.

FOREIGN MINISTER ANTUNES' VISIT TO IRAQ HAS THUS FAR PROVIDED NO CONCRETE RESULTS. GOP EXPECTS, HOWEVER, TO ARRANGE AT LEAST PARTIAL BARTER FOR IRAQI PETROLEUM AND TO ATTRACT IRAQI INVESTMENTS. (COMMENT: DURING PRESS INTERVIEW JANUARY 6, FOREIGN TRADE MINISTER CAMPINOS ANNOUNCED THAT GOP HAS REACHED AGREEMENT IN PRINCIPLE FOR REFINING IRAQI AND VENEZUELAN PETROLEUM IN PORTUGAL. HE ALSO CLAIMED THAT, AS A RESULT OF SOCIALIST PARTY SECRETARY GENERAL SOARES' VISIT TO VENEZUELA, PORTUGAL WILL BE ABLE TO PAY FOR VENEZUELAN OIL PARTLY IN CONVERTIBLE CURRENCY AND PARTLY IN PORTUGUESE EXPORTS. CAMPINOS' STATEMENT SHOULD BE READ WITH A LARGE GRAIN OF SALT. SIMILAR ANNOUNCEMENTS MADE PREVIOUSLY BY GOP SPOKESMEN, AS IN CASE OF ROMANIAN CREDITS, HAVE PROVEN TO BE OVERLY OPTIMISTIC. WOULD APPRECIATE ANY COMMENTS ADDRESSEES CAN PROVIDE ON THIS SUBJECT.)

AGRARIAN REFORM: SANTOS SILVA ASSERTED THAT THREE PRINCIPAL POLITICAL PARTIES HAVE REACHED AGREEMENT TO PREVENT ANY FURTHER FARM OCCUPATIONS. IN ADDITION, PAST LAND SEIZURES WILL BE REVIEWED AND, IN SEIZURE CASES NOT COMPLYING WITH EXISTING AGRARIAN REFORM LEGISLATION, THOSE WHO OCCUPIED LAND ILLEGALLY WILL BE REMOVED. (DURING PRESS INTERVIEW JANUARY 6, MINISTER OF AGRICULTURE LOPES CARDOSO ESSENTIALLY CONFIRMED WHAT SANTOS SILVA STATED. HE ADMITTED, HOWEVER, THAT PARTIES HAVE NOT REACHED DETAILED AGREEMENT OF FUTURE IMPLEMENTATION OF THE AGRARIAN REFORM.)

COMPENSATORY FINANCING FACILITIES (CFF): SANTOS SILVA INDICATED THAT NO SERIOUS CONSIDERATION HAD BEEN GIVEN TO A RECONFIDENTIAL

CONFIDENTIAL

PAGE 03 LISBON 00099 072000Z

QUEST FOR DRAWING AGAINST IMF'S COMPENSATORY FINANCING FACILITY. HE STATED THAT HE WOULD RAISE THIS POSSIBILITY WITH BANK OF PORTUGAL ADMINISTRATION. CARLUCCI

NOTE BY OC/T: NOT PASSED ABOVE ADDRESSEE.

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Message Attributes

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Disposition Authority: ShawDG
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Disposition Event:
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04 MAY 2006

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